Canadian Superior Oil Ltd. Annual Report 1972

Canadian Superior Oil Ltd.

Head Office: Three Calgary Place,
355 Fourth Avenue S.W.,
Calgary, Alberta T2P 0J3

Directors

Officers

A. E. FELDMEYER, President
* E. R. BARNETT, Senior Vice-President
D. L. BOHANNAN, Vice-President
H. J. CAINE, Vice-President
R. B. LAWSON, Vice-President
D. C. L. JONES, Secretary and General Counsel
J. W. PYLE, Treasurer
E. J. BETHELL, Comptroller
T. J. EMERSON, Assistant Secretary
R. C. SCHRADER, Assistant Secretary
R. C. MACDONALD, Assistant Secretary

Auditors

PRICE WATERHOUSE & CO., Calgary, Alberta

Transfer Agents

THE ROYAL TRUST COMPANY

Calgary, Alberta; Vancouver, British Columbia; Winnipeg, Manitoba; Toronto, Ontario; Montreal, Quebec; Saint John, New Brunswick; and Halifax, Nova Scotia.

THE BANK OF NEW YORK

New York, New York 10015

Registrars

THE ROYAL TRUST COMPANY

Calgary, Alberta; Vancouver, British Columbia; Winnipeg, Manitoba; Toronto, Ontario; Montreal, Quebec; Saint John, New Brunswick; and Halifax, Nova Scotia.

FIRST NATIONAL CITY BANK

111 Wall Street
New York, New York 10015

Stock Exchange Listings

AMERICAN STOCK EXCHANGE (CDS)
PACIFIC COAST STOCK EXCHANGE (CDS)
TORONTO STOCK EXCHANGE (CAS)

Seven gas wells have now been completed and the eighth well is currently drilling on Block 296 in the Eugene Island area of offshore Louisiana where the company holds a 5% interest. In Block 306 where our interest is 5.6%, three exploratory tests have indicated substantial gas reserves and a drilling platform has been ordered. A further exploratory well is planned for the third quarter. Exploratory tests are currently being conducted with a jack-up drilling rig on Blocks 121 and 122 in the South Marsh Island area where our interest is 11.1% in each block.

The Phillips Mira No. 1 well in which the company has a 15% interest was spudded in the Gulf of Papua on June 30th and is currently drilling. In the Gulf of Bonaparte area off northwestern Australia, the Arco Pelican Island No. 1 well which was spudded on May 29th is being abandoned. In the Carnarvon Basin off Western Australia, a farm-out well, Odeco Edel No. 1, was spudded on May 23rd and was subsequently abandoned.

Within the Sverdrup basin of the Canadian Arctic on Axel Heiberg Island, a forty mile seismic survey was conducted on Canadian Superior's Good Friday prospect during the month of May.

An extensive marine seismic program consisting of 2,230 miles was completed in July on the Scotian Shelf off Canada's east coast by a six-company group of which your company is acting as operator. This program is a continuation of some 4,100 miles previously conducted during 1971. An additional survey, consisting of 1,070 miles is planned for the third quarter.

A marine seismic program is planned for the third quarter on the Pantelleria Shelf off Sicily's southwest coast where Canadian Superior holds a 25% interest in two permits.

Construction of sales gas facilities at Harmattan-Elkton is ahead of schedule and completion is expected early in the fourth quarter of 1972.

Major operational changes are presently underway in the Harmattan East field (at an estimated cost of $14 million) similar to those now in final stages of completion at Harmattan-Elkton. Approval has been granted to commence gas cap sales at an average annual rate of 60 million cubic feet daily concurrent with pressure maintenance of the oil zone by means of waterflood. Installation of waterflood facilities, including development of a water source, are in progress. Contract has been awarded for March, 1973 completion of a plant similar in size to that now under construction for the Harmattan-Elkton field. The company's interest is approximately 43%.

A. E. FELDMEYER
President

August 1, 1972
Calgary, Alberta

Head Office: Three Calgary Place
355 Fourth Avenue S.W.
Calgary, Alberta
T2P 0J3

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CANADIAN SUPERIOR OIL LTD.

INTERIM REPORT

FOR SIX MONTHS ENDED JUNE 30, 1972

CANADIAN SUPERIOR OIL LTD. and Subsidiary Companies

Consolidated Statement of Income

	Six Months Ended June 30 1972	1971
Income		
Gross operating income	$21,815,663	$19,886,286
Interest, dividends and other income . .	825,656	914,777
	22,641,319	20,801,063
Expenses		
Operating, administrative and general expenses	5,448,529	5,140,108
Rents of undeveloped properties	1,086,706	1,108,932
Exploration - geological and geophysical .	2,300,660	2,351,291
Intangible drilling expenditures	3,416,362	1,587,051
Depreciation	2,844,592	2,426,420
Depletion	271,482	239,305
Amortization of exploration and preproduction expenditures	—	1,765,413
Leases abandoned	339,029	392,425
	15,707,360	15,010,945
Income Before Income Taxes	6,933,959	5,790,118
Provision for income taxes		
Current	2,959,000	2,392,000
Deferred	303,000	313,000
	3,262,000	2,705,000
Net Income for the period	$ 3,671,959	$ 3,085,118
Shares outstanding at June 30	8,504,646	8,503,596
	Per Share	
Working capital provided from operations before drilling and exploration expenditures	$1.55	$1.43
Net income	$ .43	$ .36
Operating Results (net after royalty)		
Crude oil and natural gas liquids production - barrels daily	34,478	32,173
Natural gas sales - million cubic feet daily	162	148
Sulphur production - long tons daily . . .	884	856
Sulphur sales - long tons daily	544	367

Cons

Source of Working C
Net income . .
Add charges to in
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leases abandon
income taxes

Add drilling and
Working capital
before drillin
expenditures
Deferred receivab
Prepaid gas reven
Miscellaneous .

Use of Working Capi
Capital expenditu
Lease acquisiti
Plant and equi
Exploration - geol
Intangible drilling
Total capital, c
exploration e
Investments in ot
Decrease in long
Miscellaneous .

Increase in Working

Changes in Elements
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Short term inve
Accounts recei
Inventories .

(Increase) decreas
Accounts payab
Income taxes p
Bank loan payal

Increase in Working

ed Statement of Changes Financial Position

	Six Months Ended June 30 1972	1971
	$ 3,671,959	$ 3,085,118
ot réquiring ital including , amortization, deferred	3,758,103	5,136,563
	7,430,062	8,221,681
ion expenditures	5,717,022	3,938,342
d from operations exploration	13,147,084	12,160,023
eceipts	2,458,794	—
	—	1,169,644
	62,791	157,166
	15,668,669	13,486,833
	483,124	1,272,861
	3,560,883	3,435,866
nd geophysical	2,300,660	2,351,291
	3,416,362	1,587,051
and ures	9,761,029	8,647,069
npanies	1,258,295	1,136,445
debt	—	1,400,000
	326,937	264,553
	11,346,261	11,448,067
l	$ 4,322,408	$ 2,038,766
king Capital rrent assets		
	$ 81,020	$ 392,554
s	9,910,802	(275,630)
	(5,956,605)	(3,621,262)
	62,512	978,989
	4,097,729	(2,525,349)
rrent liabilities		
	3,200,466	3,861,635
	(2,975,787)	2,480
	—	700,000
	224,679	4,564,115
l	$ 4,322,408	$ 2,038,766

CANADIAN SUPERIO

Consolidated Statement of

	Six 1
Income	
Gross operating income	$21,8
Interest, dividends and other income	8
	22,6
Expenses	
Operating, administrative and general expenses	5,4
Rents of undeveloped properties	1,0
Exploration - geological and geophysical	2,3
Intangible drilling expenditures	3,4
Depreciation	2,8
Depletion	2
Amortization of exploration and preproduction expenditures	
Leases abandoned	3
	15,7
Income Before Income Taxes	6,9
Provision for income taxes	
Current	2,9
Deferred	3
	3,2
Net Income for the period	$ 3,6
Shares outstanding at June 30	8,5
Working capital provided from operations before drilling and exploration expenditures	$1
Net income	$
Operating Results (net after royalty)	
Crude oil and natural gas liquids production - barrels daily	
Natural gas sales - million cubic feet daily	
Sulphur production - long tons daily	
Sulphur sales - long tons daily	

To the Shareholders:

Consolidated net income for the first six months of 1972 amounted to $3,671,959 (43¢ per share) compared with $3,085,118 (36¢ per share) for the same period last year. Gross revenue from all sources increased 9% to $22,641,319. Cash flow before drilling and exploration expenditures amounted to $13,147,084 ($1.55 per share) compared with $12,160,023 ($1.43 per share) in the corresponding period last year.

There were no charges to income in respect of amortization during the current reporting period since the company completed amortizing the previously capitalized exploration and preproduction expenditures in 1971.

Interim calculations of income taxes are based on the taxable income related to the reporting period. The taxes charged to income in the period are not necessarily indicative of the tax payable for the full year.

Geological and geophysical expenditures of $2.3 million incurred in Canada and foreign areas were approximately the same as those incurred during the first six months of 1971. Intangible drilling expenditures more than doubled to $3.4 million; a reflection of the heightened activities in areas outside of Canada; particularly in offshore Louisiana and offshore Malta.

Crude oil, condensate and natural gas liquids production increased 7% to 34,478 barrels daily. Gas sales averaged 162 million cubic feet daily; up 9% over the same period last year.

During the first six months of 1972, the company participated in the drilling of 44 exploratory wells (16 net) of which 13 (3 net) were productive of oil or gas and 31 (13 net) were dry and abandoned. Twenty-five of the wells were drilled under farmout agreements at no cost to the company. Of 18 development wells drilled during the period, 14 (2 net) were productive of oil or gas.

In southeastern Saskatchewan in the Viewfield Mississippian oil pool, development drilling is continuing on land in which Canadian Superior has a 25% interest. Two wells have been completed to date and a third development well will be spudded shortly.

In the foothills of southwestern Alberta near Bottrel, your company is preparing to drill a 13,000 foot Devonian test whose objective is the deep potential gas-bearing Leduc reef.

In the Mediterranean Sea east of Malta, an exploratory well, Home et al Malta No. 1 in which Canadian Superior participated on a 21¼% interest was abandoned in June at a total depth of 14,452 feet. No further drilling is planned on this permit. Another operator is currently drilling north of our permit.

In the United Kingdom sector of the North Sea about 200 miles east of Edinburgh, Arpet Block 30/23 in which your company has an 8% interest, offsets to the west Block 30/24, where Hamilton Brothers Petroleum Corporation recently announced a significant oil discovery.

Highlights

	1972	1971
Gross Revenue	$46,397,060	$42,058,850
Working capital provided from operations — *before drilling and exploration expenditures*	$26,994,906	$28,244,783
Per Share	$3.17	$3.32
Net Income	$ 6,618,603	$ 9,783,776
Per Share	$ .78	$1.15
Working Capital at Year End	$16,974,402	$15,761,493
Average Net Daily Sales:		
Crude Oil (Bbls.)	23,036	21,585
Condensate (Bbls.)	7,472	6,663
Propane and Butane (Bbls.)	4,609	4,220
Total Oil and Gas Liquids	35,117	32,468
Residue Gas (Mcf)	162,632	145,097
Sulphur (Long Tons)	504	449
Net Acreage in Canada	10,048,035	10,285,779
Net Acreage — Foreign	7,735,359	9,608,602

Annual Meeting

The Annual and Special General Meeting of shareholders will be held on Monday, April 30, 1973, at 10:00 a.m. in the Company's Board Room, Three Calgary Place, 355 Fourth Avenue S.W., Calgary, Alberta. A formal notice of this meeting, together with the proxy statement and information circular and form of proxy, is being mailed with this report.

For Canadian Capital Gains tax purposes, shareholders may wish to note that the December 22, 1971 valuation day price of the common stock of the company was $43.25.

Contents

Directors' Report

To The Shareholders:

Financial

Your directors are pleased to report the results and activities for the fiscal year ended December 31, 1972. Income from all sources totalled $46.4 million, the highest in the company's history and an increase of 10.3% over the prior year. Working capital provided from operations (cash flow) before drilling and exploration expenditures amounted to $27 million or $3.17 per share, compared with $28.2 million, or $3.32 per share in 1971. Net income amounted to $6.6 million or 78¢ per share, compared with $9.8 million or $1.15 per share in 1971.

Both cash flow and net income were reduced by the full impact of current income taxes of $6.3 million in 1972; in the prior year the purchase of a sublease of producing properties had deferred a provision for Canadian tax liability. Furthermore, intangible drilling expenditures incurred in 1972 amounted to $7.7 million, an increase of 128% over those costs incurred in the previous year.

Capital expenditures for lease acquisitions, gas plants, lease and well equipment and other fixed assets increased substantially to $18.5 million, compared to $13.1 million in the prior year. Working capital increased $1.2 million to $17 million at the year end to maintain the company's strong financial position.

Production and Revenues

As detailed more fully elsewhere in this report, production of crude oil and other liquids increased 8.5% to a new record average of 35,117 barrels daily. Revenue from this source amounted to $33.7 million, a gain of 9.7%. Crude oil and condensate prices in Canada increased 10¢ and 20¢ per barrel respectively in November 1972, and by a further 20¢ in January 1973, which should add appreciably to 1973 gross revenues. Welcome as these price increases are to industry, however, Canadian crude oil price increases have, on average, risen less than 2% per annum over the past ten years. The cost of finding and developing reserves is rising at a much higher rate and further increases will be required in order to accelerate the exploratory efforts necessary to meet the growing demand for petroleum products.

Furthermore, the benefit from increased revenues will be substantially offset by the imposition of the Alberta Reserves Tax and increased royalty rates by the governments of Alberta, British Columbia and Saskatchewan.

Natural gas sales averaged 162.6 million cubic feet per day, an increase of 12.4% with attendant revenue increases of 16.6%. During the month of December, gas sales reached a record of 209 million cubic feet daily.

Sulphur prices continued on a disappointing downward trend with revenues of $739,000, a decrease of 12%. However, the outlook for better prices in 1973 and beyond appears somewhat more promising. North American prices have recently risen by $3 per long ton and although overseas export prices remain very depressed, it appears possible that rising demand may bring an increase.

Exploration

With increased demand and more realistic prices for oil and gas being gradually realized, the tempo of exploration and drilling in Western Canada is increasing. The number of wells completed by the industry in the first two months of 1973 was nearly 40% higher than in the same period of 1972.

Your company's participation in the search for new reserves in Alberta and British Columbia as well as the frontier areas of Canada continues on a very active basis. During 1972 geophysical programs were carried out in western Alberta, northeastern British Columbia, the Yukon, and the Northwest Territories. During the past summer extensive marine seismic programs were also completed on the Scotian Shelf off Canada's East Coast and a seismic survey was completed in the high Arctic on Axel Heiberg Island. In the Beaufort Sea and in the offshore East Coast areas, seismic data were purchased to complete information gained in prior surveys in these areas.

It is our belief that our company must also pursue an aggressive search for petroleum in other major geological basins in the world where the geology and economics appear promising. We did so on a greatly increased scale in 1972 and such areas are shown and discussed in more detail later in this report.

Your company participated, directly or indirectly, in the drilling of 114 exploratory and development wells in Canada, 31 in offshore Louisiana, one offshore Malta, three offshore Australia and one in the Arafura Sea off Indonesia. Sixty-four wells were productive of oil or gas and 86 were abandoned. Fifty-four of these wells were drilled under farmout agreements and involved little or no cash outlay by the company.

The company's program in offshore Louisiana added significantly to its reserves of gas during 1972 as a result of development drilling on Blocks 296 and 306 following discoveries made in 1971. Production of gas and condensate from Block 296 in the South Marsh Island area commenced on February 4, 1973, and production is scheduled from Block 306 later this year.

Canadian Superior acquired a 7% interest in three Blocks (Nos. 249, 250 and 258) in the South Marsh Island area of offshore Louisiana at the Federal Lease Sale on December 19, 1972. Our share of the total successful bids amounted to $6 million. Initial exploratory drilling is now underway on Block 249.

Employees

Your directors wish to acknowledge with grateful appreciation the many years of service devoted to your company's affairs by our Senior Vice-President and Director, Mr. E.R. Barnett, who retired on January 31, 1973. We acknowledge also the contributions of our staff of 386 employees whose efforts continue to provide growth in all areas of your company's endeavors.

ON BEHALF OF THE BOARD,

G.E. Feldmeyer

March 12, 1973

President

Exploration

Western Canada

The growing North American demand for energy, the recent crude oil price increases in Canada and the outlook for improved gas prices has created a resurgence of exploratory drilling in Western Canada. These factors, coupled with the Alberta Government's drilling incentive program, which became operative in August 1972, provide economic justification for evaluation of the deeper formations in the search for oil and gas along the foothills belt of Alberta and British Columbia, and have increased the exploratory effort for shallower gas accumulation in the plains area of east-central Alberta.

During 1972, the company participated in several seismic programs located along the foothills belt of northeastern British Columbia, including the Butler Ridge permit, Tanaka Creek permit and the Wapiti River area. Geophysical surveys were also carried out in the south Labiche area of southern Yukon and on the Peace Grove permit located west of the Peace River townsite in northwestern Alberta. The more promising leads will be followed-up with more detailed seismic and possible drill testing in 1973.

The company participated in the cost of thirty-nine exploratory wells in Western Canada, resulting in nine gas well completions during 1972. A further forty-nine wells were drilled under farmout agreements resulting in six oilwells, eight gas wells and thirty-five abandonments.

Canadian Arctic

A significant portion of the sediments with potential for oil and gas in Canada lie in the Arctic regions in a remote and hostile environment. Two regions, the Mackenzie Delta and the Sverdrup Basin portion of the Arctic Islands, are receiving concerted attention because of very significant discoveries made in both areas to date. In the onshore area of the Mackenzie Delta a five-member group, with Canadian Superior as operator, has been formed to conduct a reconnaissance seismic program this spring.

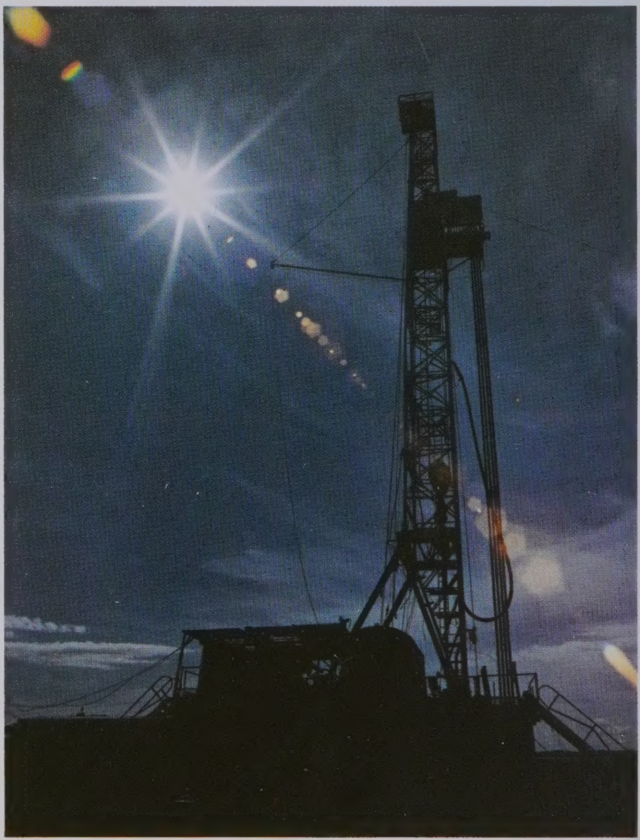
The Beaufort Sea study group, of which Canadian Superior is a member, has presented a plan to the Federal Government for drilling exploratory wells in the ice-infested waters of the Canadian Arctic Ocean during the short summer open-water season. The government has taken the plan under advisement and it is anticipated that a decision may be available by mid-year 1973.

Offshore East Coast

The Scotian Shelf continues to attract the attention of industry with the announcement of the discovery of hydrocarbons during 1972 at two exploratory locations. Both are in addition to previously reported oil and gas discoveries made on Sable Island.

A six-company group, of which Canadian Superior is acting as operator, completed 3,269 miles of marine seismic on the Scotian Shelf during 1972. This, in addition to the previous year's surveys conducted here as well as on the Grand Banks, brings the total to 7,330 miles of marine seismic in this area. Another 4,368 miles of seismic line were acquired from other operators on the Scotian Shelf during 1972.

As a result of the cumulative seismic work completed during the two years of exploration your company had, by the end of 1972, earned varying interests amounting to an overall net 13% interest in 6.5 million acres in the East Coast offshore region. Further seismic programs are planned for the current summer but no drilling plans have yet been formulated.



CANADIAN SUPERIOR'S GLOBAL ACTIVITIES

Foreign Areas

Canadian Superior is now represented by concessions in several countries involving joint participation arrangements with other operators. The company continues to increase its scope of international operations and the number of geographical areas in which concessions are held has doubled during the past year. The majority of these concessions lie offshore on continental shelves where initial exploration involves marine seismograph surveys. In addition to concessions and permits previously held in the United States, the United Kingdom and Netherlands area of the North Sea, Indonesia, Australia, Tunisia and Malta; concessions have been obtained in Turkey, Morocco, Kenya, Italy and the Philippines. Negotiations to obtain concessions are presently underway in other countries in South America, West Africa and Eurasia.

The wide spread of 1972 activities is evident from the following summaries of exploration and drilling in the various countries.

Mediterranean Sea

In the Mediterranean Sea east of Malta, an exploratory well, Home et al Malta No. 1, in which Canadian Superior participated to the extent of a 21¼% interest, was abandoned in June 1972 at a total depth of 14,452 feet. No shows of oil or gas were encountered and no further drilling is planned on this permit.

Seismic surveys have been conducted in several areas. One in the Antalya Basin of southern Turkey to earn a 25% interest in 249,000 acres, and a 750-mile marine seismic program on the Tunisian Shelf in the Gulf of Hammamet was commenced in 1972 and completed in January of this year. Canadian Superior has a 15% interest in the latter concessions consisting of 1,270,000 acres and an application is pending to acquire additional contiguous acreage.

Australia

In the Gulf of Papua, the Mira No. 1 well, a step-out to the Uramu gas discovery of 1968, was abandoned at a depth of 7,200 feet. This well, which actually encountered the equivalent limestone reservoir some 700 feet higher than at the discovery, was wet on test and thus a setback for hopes of developing currently economic reserves of gas in the Tertiary sediments. However, this large permit area (13,500 square miles) still holds interesting possibilities and an additional seismic survey is currently being carried out to enable the group to select the most suitable location for a test of the pre-Tertiary sediments.

The Pelican Island No. 1 wildcat drilled by the joint venturers on the Bonaparte Gulf acreage was abandoned after encountering minor non-commercial gas shows. Our interest in this well was 13%. Also, farther south on the Carnarvon Western Shelf area, a 9,000-foot well was drilled under a farmout agreement. There were no shows of oil or gas to total depth. Currently our company is sharing in additional seismic programs in both these shelf areas.

Indonesia

In the Arafura Sea, where our interest is 10%, a fourth wildcat well was drilled in 1972 to a total depth of 15,640 feet. This is the deepest well drilled in Indonesia to date. It was a test of Tertiary and Cretacious sediments but revealed no significant oil or gas shows. Canadian Superior also participated in onshore seismic and geological surveys. All data accumulated to date are being reviewed preparatory to deciding on a work program which may be carried out in 1973. This 94,000 square mile permit was reduced to approximately 70,000 square miles in accordance with the terms of the Indonesian Government contract.

In the southwest Philippines, Canadian Superior has an approximate 10% participation in a 1,000 square mile Sulu Sea concession. With the other co-venturers we have acquired seismic coverage and have the option to earn a share of ultimate production by electing to drill a well.

In another permit in the Sulu Sea, covering approximately 650 square miles, Canadian Superior shared 8% of the cost of an exploratory well in order to earn a 4% interest in the acreage. The well was spudded on December 22, 1972, and abandoned on February 25, 1973.

North Sea

During the past year exploration activity was confined to geophysical and geological work to evaluate the seven blocks awarded last year to the United Kingdom Arpet Group of which your company is a member. The first exploratory well, in which our company's interest is 8%, was spudded on February 11, 1973, on Block 30-23 just west of Hamilton Brothers' discovery in Block 30-24. The well is being drilled by the Bluewater III semi-

Production and field terminal platforms in the Hewett Field.

submersible rig. Geophysical work was also carried out in preparation for awards expected this year in the Norwegian sector.

Expansion of production facilities in the Hewett and Leman fields continued during the year in order to handle escalating gas requirements for the United Kingdom. The company's share of revenue from gas production in these fields amounted to $784,000 during 1972, and is expected to reach approximately $1 million during 1973.

NORTH SEA AREA

Gulf of Mexico

Offshore Louisiana

Canadian Superior has a 7% working interest in Blocks 249, 250 and 258 in the South Marsh Island area, acquired at the December 19, 1972 Federal Lease Sale. Our share of the bonus cost amounted to $6 million. The first exploratory test was commenced on Block 249 on February 12, 1973.

Development, resulting from the 1971 discovery, has proceeded steadily on Eugene Island Block 296 from two drilling platforms. Gas and condensate production commenced on February 4, 1973. The initial production rate was approximately 100 million cubic feet per day, plus some 1,500 barrels of condensate daily, and it is anticipated that this rate of gas production will increase to 300 million cubic feet per day by the end of 1973 when production from Block 306 will also go on stream. The

first drilling platform on Block 306 is completed and a second is planned. Revenue for 1973 is anticipated to net the company approximately $1 million from our 5% and 5.6% interests respectively in Blocks 296 and 306.

Drilling and production structure 'B' Eugene Is. Block 296.

Offshore Texas

A drilling and production platform has been installed on Block A-1 (Brazos Area) and development drilling is in progress. Four multiple completion wells are scheduled and production should commence in the second quarter of 1973.

A Federal Lease Sale is scheduled for June 1973, with the offered leases concentrated, for the most part, in the southeast sector of the Texas offshore area adjoining the Louisiana border. The company is participating with a group acquiring geophysical and geological information to evaluate the acreage for possible bids.

The company has also taken a 15% interest in another group with the objective of preparing for future lease sales in the remaining portion of offshore Texas. The main area of interest for this group will be concentrated along the western and southern portion of the Gulf and is indicated on the accompanying map. A comprehensive geological and geophysical study is already under way.

Minerals Exploration

During 1972 Canadian Superior Exploration Limited was actively engaged in a number of areas in British Columbia and the United States. Preliminary exploration work on two copper prospects in central British Columbia and one in the Yukon, as well as a lead-zinc prospect in northeastern British Columbia and a silver-gold prospect in Idaho, has yielded sufficient encouragement to warrant more extensive programs during 1973. Minerals exploration expenditures incurred in Canada and the United States totalled $591,000 during 1972 and increased expenditures are planned for 1973.

In Western Australia the search for nickel, copper and uranium continued during 1972. Approximately 12,000 acres of nickel claims in which the company has a 25% equity are of continuing interest. A 15% interest is also held in 40,000 acres of claims being explored principally for uranium. Work planned for 1973 includes evaluation of a number of zones of calcrete where uranium mineralization has been located.

In the Northern Territory of Australia, the Arnhem Land region has been the locale for three commercial uranium deposits. In this area the company's interest in 885 square miles of exploration permits has been increased from 12 ½% to 25%. Although no uranium mineralization was discovered on these properties in 1972, approximately 400 square miles is still considered sufficiently prospective to justify a 1973 search program.

Production and Marketing

Crude oil and natural gas liquids production during 1972 totalled 12,853,000 barrels, an increase of one million barrels over the prior year, or a daily average of 35,117 barrels, an increase of 8.5% over 1971. Revenue from this source increased 9.7% to $33.7 million and represented 76% of the total operating revenues of the company.

In early November 1972 the price of crude oil and condensate increased 10¢ and 20¢ per barrel respectively. In January 1973, crude oil and condensate prices in Canada advanced a further 20¢ per barrel. As a consequence of these price increases and the continuing high demand for crude oil and condensate, 1973 gross revenues will be significantly improved. A portion of these gains, however, will be eroded by the increased royalties and the new reserves tax proposed by the Government of Alberta and by the proposed increase in the average royalty rate in British Columbia.

Gas sales during 1972 totalled 59.5 billion cubic feet, for an average daily rate of 162.6 million cubic feet. This

Propane and butane storage tanks at Didsbury rail terminal.

represents an increase of 12.4% over the prior year's sales. Revenues increased 16.6% to a total of $10.1 million. The average price of gas sold under our contracts rose from 16.4¢ per thousand cubic feet to 17¢ per thousand cubic feet in 1972. This increase is due mainly to built-in escalations but also reflects new sales from gas fields contracted at higher current prices. Negotiations for price redetermination under existing contracts will be taking place during 1973. Because of the pressures stemming from the energy crisis and the growing recognition of the relative commodity value of gas, we would expect to obtain higher average prices later in 1973 and continuation of this trend during 1974. Income from gas sales now accounts for approximately 23% of our total operating revenue.

Propane and butane sales increased 9.5% to 4,609 barrels daily during 1972. Income from this source totalled $2.1 million and represented approximately 5% of gross operating revenue.

Sulphur sales during 1972 averaged 504 tons daily, 57% of production. This was moderately better than the 53% sold out of 1971 production. However, continuing depressed prices resulted in a 12% reduction of sales revenue to $739,000. We look for some improvement in 1973, as North American prices have moved up in response to a marked increase in fertilizer demand.

Operations

In the Harmattan-Elkton field, the completion of construction of waterflood facilities, battery centralization and other operational improvements completed during 1972, resulted in increased production of oil and liquid products by an average of 824 barrels per day and a revenue boost of $867,000 during the year. Gas sales from the Harmattan-Elkton field commenced on November 6, 1972, with design capacity to meet peak production requirements of approximately 150 million cubic feet daily during the winter months.

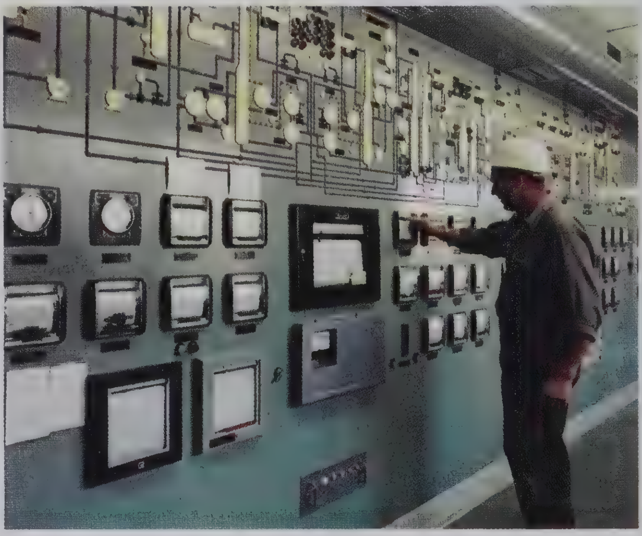
In the Harmattan East field, waterflood pressure maintenance operations were initiated during December. Construction of a gas processing plant is well underway to meet the approved annual average gas sales volume of 60 million cubic feet daily. Completion of these facilities is expected early in the second quarter of 1973. The company's interest is approximately 43%.

Expansion of the Innisfail D-3 Unit gas processing and sulphur recovery plant was started during 1972 and completion is expected in the second quarter of 1973. The expanded facilities will permit the handling of sour oilfield solution gas from a maximum oil producing rate of 13,600 barrels per day, in place of the present maximum capacity of 10,000 barrels per day. Your company's interest in this plant is 33%.

Other field development and plant improvement facilities are being carried out in the Joffre field, Olds field, Nevis and Kaybob South areas of Alberta and in the Beatton River, Inga and Buick Creek fields in northeastern British Columbia.

The company's share of capital expenditures incurred on field development and gas processing facilities in Canada amounted to $9.5 million in 1972.

Canadian Superior has joined Canadian Arctic Gas Study Limited, a group of 25 companies, which is examining the feasibility of constructing a natural gas pipeline from Alaska and the Mackenzie Delta to potential markets in Canada and the United States. To date some $30 million has been spent by the group in detailed examinations of the engineering, environmental, sociological and economic aspects of the project.



Harmattan area plant operational control room.

Oil and Gas Acreage Holdings

At December 31, 1972

		GROSS		NET
CANADA				
Producing leases		657,475		335,019
Exploratory acreage:				
Western Canada				
Leases	3,082,828		2,096,338	
Reservations and permits	2,141,493		1,469,184	
Fee title acreage	1,309,638	6,533,959	1,309,282	4,874,804
Yukon and Northwest Territories		1,714,714		764,637
Beaufort Sea		4,134,266		1,818,967
Mackenzie Delta - onshore		492,343		246,172
Arctic Islands		963,753		481,883
East Coast				
Nova Scotia shelf	2,093,647		455,584	
Labrador shelf	2,471,595		247,159	
Grand Banks	1,463,756		537,772	
Gulf of St. Lawrence	1,144,147	7,173,145	286,038	1,526,553
Total Canada		21,669,655		10,048,035
FOREIGN				
Producing leases:				
United Kingdom		242,564		6,971
U.S.A.		15,760		818
Exploratory acreage:				
Indonesia - Arafura Sea		39,896,862		3,989,686
Australia		29,573,010		3,241,769
Tunisia		2,289,576		343,437
Malta		426,218		90,571
Sicily		78,279		19,570
Netherlands		305,341		10,177
U.S.A.		38,778		2,829
United Kingdom		426,865		29,531
Total Foreign		73,293,253		7,735,359
TOTAL ACREAGE		94,962,908		17,783,394

Gas Processing Plants

in which Canadian Superior Oil Ltd. has a working interest

Plant Location	Company Interest (%)	Daily Plant Design Capacities: Residue Gas (MMcf/D)	Plant Liquids (Bbls/D)	Sulphur Prod. (LT/D)
Bellis	8.4	20	—	—
Berrymoor	8.3	18	200	—
Calgary-Crossfield	1.9	220	8,020	1,940
Caroline	8.3	37	3,080	20
Carstairs-Crossfield	13.3	280	19,840	50
Corbett Creek	3.1	10	—	—
East Crossfield - (D-1)	30.9	57	500	1,710
East Crossfield - (Elkton)	5.0	55	2,250	—
Edson	0.7	337	3,990	285
Ferrier	42.5	88	9,100	—
Flat Lake	12.6	25	—	—
Fort Saskatchewan	2.0	—	25,000	—
Ghost Pine	0.7	108	760	—
Gilby 1	36.5	9	130	—
Gilby 2	7.8	51	2,090	—
Gilby 3	0.6	25	200	—
Harmattan Area	38.0	300	18,800	—
Harmattan Leduc	43.9	15	—	800
Hartell	8.0	11	430	13
Hatton	15.0	6	—	—
Innisfail	33.2	13	540	160
Joffre D-2	8.4	5	650	27
Kaybob Notikewin	3.5	97	750	—
Kaybob South 1	5.9	154	18,280	1,070
Kaybob South 2	6.5	113	—	1,020
Lobstick Glauconite	1.3	11	150	—
Lone Pine Creek D-3	0.2	54	1,600	250
Lone Pine Creek South	66.7	25	650	151
Marten Hills	1.1	25	—	—
Minnehik Buck Lake	8.0	100	1,650	32
Nevis	4.7	85	3,150	250
Paddle River	0.5	25	210	—
Rimbey	0.1	357	31,500	325
Rosebud	12.1	6	—	—
South Elkton	23.2	5	150	—
Sylvan Lake 1	3.1	54	2,090	10
Sylvan Lake 2	5.0	26	1,320	—
Three Hills 1	2.3	15	200	—
Three Hills 2	4.0	10	130	—
Willesden Green	1.9	11	660	—
Wilson Creek	21.2	14	290	—
Wimborne	1.0	52	2,600	330

1972 Sales by Major Fields and Areas

	Oil (Bbls.)	Condensate (Bbls.)	L.P.G. (Bbls.)	Gas (Mcf)	Sulphur (L. Tons)	Gross Operating Revenue
Alberta						
Harmattan	1,670,310	1,226,134	686,711	3,107,701	54,877	$10,265,399
Crossfield Carstairs . . .	32,398	350,164	265,889	22,041,385	101,579	5,384,978
Ferrier	366,255	281,259	447,859	9,161,381	—	3,891,649
Innisfail	960,902	40,357	—	866,207	4,795	3,075,927
Pembina	916,215	4,260	—	775,513	—	2,784,358
Kaybob	—	502,361	141,156	1,810,267	21,325	2,026,327
Clive	415,021	—	—	394,125	—	1,277,037
Lone Pine Creek	—	92,304	—	3,735,306	—	971,943
Swan Hills	272,251	—	—	—	—	818,247
Cherhill	329,931	—	—	—	—	786,411
Olds	209,020	18,697	26,847	952,992	—	767,063
Joffre	232,311	—	—	—	—	663,697
Garrington	37,201	40,234	32,273	1,144,057	—	427,907
Minnehik Buck Lake . .	—	23,485	—	1,666,341	—	392,789
Nevis	56,153	19,274	2,523	1,245,591	763	363,268
Gilby	21,681	16,769	25,347	1,325,507	—	351,627
Lookout Butte	—	58,569	23,873	827,543	822	347,804
Zama North	153,113	—	—	—	—	337,536
Other	651,504	50,454	34,588	5,150,445	359	2,808,187
	6,324,266	2,724,321	1,687,066	54,204,361	184,520	37,742,154
Saskatchewan						
Steelman	458,133	—	—	201,766	—	1,356,194
Weyburn	448,265	—	—	—	—	1,150,228
Midale	320,896	—	—	—	—	822,034
Other	169,735	—	—	321,833	—	510,258
	1,397,029	—	—	523,599	—	3,838,714
British Columbia						
Inga	560,312	—	—	960,440	—	1,660,321
Other	41,708	—	—	1,160,034	—	237,539
	602,020	—	—	2,120,474	—	1,897,860
Manitoba	107,916	—	—	—	—	300,702
CANADA	8,431,231	2,724,321	1,687,066	56,848,434	184,520	43,779,430
Foreign						
United Kingdom	—	10,223	—	2,674,597	—	783,688
TOTAL	8,431,231	2,734,544	1,687,066	59,523,031	184,520	$44,563,118

Financial

Revenue from all sources during 1972 totalled $46,397,060, an increase of 10.3% over the previous year. Cash flow before drilling and exploration expenditures amounted to $26,994,906, or $3.17 per share, compared with $3.32 per share in the prior year. Net income of $6,618,603, or 78¢ per share, reflected a decrease of 37¢ a share from 1971.

Several factors contributed to this decline in cash flow and net earnings; the most significant increased expense being the provision for current income taxes of $6,315,174. Intangible drilling costs on both productive wells and dry holes, which are written-off against income as they are incurred, more than doubled over the previous year, and $4.3 million of additional costs of this nature were expensed. Increased investment in gas plants and field production equipment accounted for higher depreciation charges which increased by $1.2 million. Conversely, amortization of capitalized exploration and preproduction expenditures incurred prior to 1958 was completed in 1971 with a final charge against income of $3.5 million in that year. No further adjustment for sulphur inventory valuation was required in 1972 comparable to the $1.3 million written-off in 1971.

It is important to note that the incidence of income tax with its varying effect on reported net income each year in natural resource development companies is often extreme. The calculation of Canadian income tax is based on the provisions of the Income Tax Act and income subject to tax bears little relationship to the consolidated income reported in the Financial Statements under generally accepted accounting principles.

Foreign expenditures, except to a very limited extent, are not deductible from taxable Canadian income. Your company spent some $11 million in lease acquisitions, exploration and development for petroleum and minerals in foreign countries last year; essentially all of which would have been immediately deductible if incurred in Canada.

The cost of leases, reservations and permits acquired in Canada, which are capitalized in the accounts, are deductible for tax purposes in the year of acquisition; on the other hand, the cost of abandoned leases is charged against income when surrendered.

The deferred receivable of $12 million referred to in Note 4 is another example of a timing difference. This amount representing the purchase price of an interest in certain producing oil properties acquired in 1971 was immediately deductible for tax purposes and thus eliminated the current tax liability in that year. The proceeds from production of this property will flow back in 1972 and 1973 and will be subject to income tax in the year received. These proceeds are being applied against the deferred receivable and accordingly are not recorded as income in our financial statements.

In accordance with general practice in the Canadian oil and gas industry, and accepted by accounting authorities outside of Canada, the company follows the tax allocation basis to the extent of providing for deferred taxes as a result of claiming capital cost allowance for tax purposes in excess of depreciation recorded in the accounts. Management does not consider it appropriate to apply income tax timing differences that relate to drilling, exploration and lease acquisition costs.

Expenditures for acquisition of properties, plant and equipment, drilling and exploration totalled $30.6 million during 1972, up 42% over 1971. The major increase related to the acquisition of a 7% interest in three blocks acquired in offshore Louisiana at a cost of $6 million.

The company's working capital position increased by $1.2 million to $16,974,402 at the year end.

As noted earlier in this report, the search for hydrocarbons outside of Canada is accelerating and the following table highlights the expenditures made in various foreign countries:

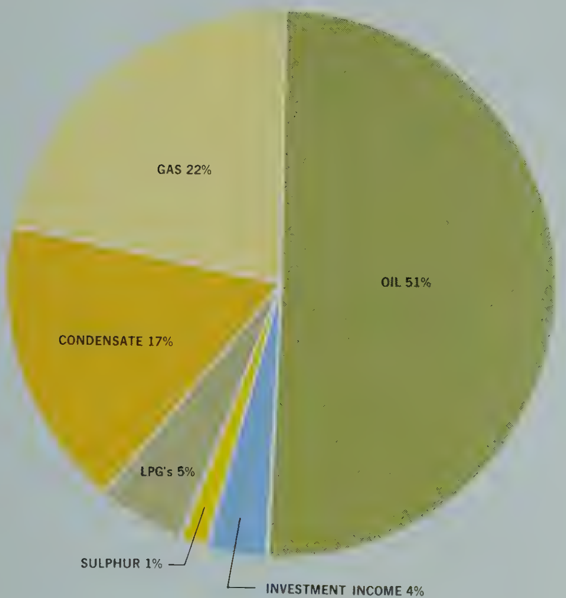
Expenditures Incurred Outside of Canada For Lease Acquisition, Exploration, Drilling and Capital Equipment

(Thousands of Dollars)

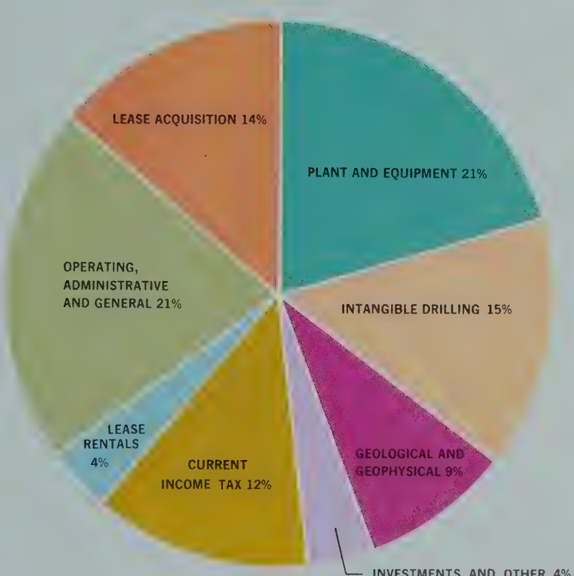
	1972	1971	1970
PETROLEUM			
United States	$ 7,854*	$ 440	$3,692*
Malta	846	388	12
Australia	516	74	224
United Kingdom	468	69	51
Indonesia	452	398	355
Morocco	191	—	—
Norway	127	—	—
Philippines	103	—	—
Turkey	66	11	37
Sicily	14	—	—
Italy	13	19	—
Netherlands	8	56	8
Tunisia	4	243	—
Other	27	—	55
	10,689	1,698	4,434
MINERALS			
Australia	180	246	350
United States	166	106	49
Other	10	1	37
	356	353	436
	$11,045	$2,051	$4,870

**Includes lease acquisition costs of $6 million in 1972 and $3.5 million in 1970.*

Revenues



Expenditures



1972 Financial Statements

Consolidated Statement of Income and Retained Earnings

For the Years Ended December 31, 1972 and 1971

	1972	1971
Income		
Gross operating income	$44,563,118	$40,242,662
Interest, dividends and other income	1,833,942	1,816,188
	46,397,060	42,058,850
Expenses		
Operating, administrative and general expenses	10,862,410	10,453,406
Sulphur inventory adjustment (Note 3)	—	1,344,654
Rents of undeveloped properties	2,224,570	2,297,643
Exploration — geological and geophysical	4,430,172	5,051,583
Intangible drilling expenditures	7,677,867	3,360,999
Depreciation	5,825,443	4,664,442
Depletion	571,947	500,877
Amortization of exploration and preproduction expenditures	—	3,530,827
Leases abandoned	1,092,874	783,595
	32,685,283	31,988,026
Income Before Income Taxes	13,711,777	10,070,824
Provision for income taxes (Note 2)		
Current	6,315,174	(263,952)
Deferred	778,000	551,000
	7,093,174	287,048
Net Income	6,618,603	9,783,776
Retained Earnings at Beginning of Year	65,625,200	55,841,424
Retained Earnings at End of Year	$72,243,803	$65,625,200
Net Income Per Share based on average number of shares outstanding	$ .78	$1.15

Consolidated Statement of Changes in Financial Position

For the Years Ended December 31, 1972 and 1971

	1972	1971
Source of Working Capital		
Net income	$ 6,618,603	$ 9,783,776
Add charges to income not requiring the use of working capital including depreciation, depletion, amortization, leases abandoned and deferred income taxes	8,268,264	10,048,425
	14,886,867	19,832,201
Add drilling and exploration expenditures	12,108,039	8,412,582
Working capital provided from operations before drilling and exploration expenditures	26,994,906	28,244,783
Decrease in deferred receivable (Note 4)	8,000,000	—
Capital stock issued for cash (Note 6)	335,790	68,068
Prepaid gas revenue	—	1,169,644
Refund of notes receivable	—	1,053,000
Miscellaneous	107,771	283,153
	35,438,467	30,818,648
Use of Working Capital		
Capital expenditures		
Lease acquisition	7,444,853	2,447,460
Plant and equipment	11,074,081	10,670,311
Exploration — geological and geophysical	4,430,172	5,051,583
Intangible drilling costs	7,677,867	3,360,999
Total capital, drilling and exploration expenditures	30,626,973	21,530,353
Investment in other companies	1,753,858	1,758,498
Deferred receivable, less current portion (Note 4)	—	8,000,000
Decrease in long term debt	—	1,400,000
Decrease in prepaid gas revenue	1,725,741	44,985
Miscellaneous	118,986	93,369
	34,225,558	32,827,205
Increase (Decrease) in Working Capital	$ 1,212,909	$ (2,008,557)
Changes in Elements of Working Capital		
Increase (decrease) in current assets		
Cash	$ 87,199	$ 12,330
Short term investments	14,410,802	(11,800,802)
Accounts receivable	(3,231,210)	4,136,281
Inventories	(408,379)	(526,983)
Current portion of deferred receivable	3,091,265	4,000,000
Net increase (decrease) in current assets	13,949,677	(4,179,174)
Increase (decrease) in current liabilities		
Accounts payable	5,107,761	(348,830)
Income taxes payable	6,079,570	(1,121,787)
Current portion of bank loan	—	(700,000)
Current portion of prepaid gas revenue	1,549,437	—
Net increase (decrease) in current liabilities	12,736,768	(2,170,617)
Increase (Decrease) in Working Capital	$ 1,212,909	$ (2,008,557)

Consolidated Balance Sheet at December 31, 1972 and 1971

Assets

	1972	1971
Current Assets		
Cash	$ 860,420	$ 773,221
Short term investments, at cost	16,500,000	2,089,198
Accounts receivable	9,970,104	13,201,314
Inventories, at lower of cost or net realizable value		
Sulphur and liquid products (Note 3)	1,681,645	2,056,148
Materials and supplies	477,900	511,776
Current portion of deferred receivable	7,091,265	4,000,000
	36,581,334	22,631,657
Deferred Receivable, less current portion (Note 4)	—	8,000,000
Investments, at cost		
McIntyre Porcupine Mines Limited (quoted market value 1972 $3,966,000; 1971 $6,417,000)	9,005,499	9,005,499
Falconbridge Nickel Mines Limited (quoted market value 1972 $1,272,500; 1971 $1,618,500)	1,729,290	1,729,290
Other investments	3,507,795	1,753,937
	14,242,584	12,488,726
Properties, Plant and Equipment, at cost		
Undeveloped properties	36,559,260	34,072,306
Producing properties	19,734,295	15,869,269
Production equipment	35,250,559	30,442,636
Gas plants and related facilities	51,703,267	45,878,576
Other property and equipment	2,274,765	2,243,535
	145,522,146	128,506,322
Less: Accumulated depreciation and depletion (Note 1)	51,049,260	44,954,335
	94,472,886	83,551,987
Deferred Charges		
Prepaid lease rentals	1,000,496	1,004,181
Other	599,557	476,886
	1,600,053	1,481,067
	$146,896,857	$128,153,437

Liabilities

	1972	1971
Current Liabilities		
Accounts payable	$ 11,977,925	$ 6,870,164
Income taxes payable	6,079,570	—
Current portion of prepaid gas revenue	1,549,437	—
	19,606,932	6,870,164
Prepaid Gas Revenue, less current portion	11,176,271	12,902,012
Deferred Income Taxes (Note 2)	5,306,000	4,528,000
Shareholders' Equity		
Capital stock of $1 par value (Note 6)		
Authorized — 10,000,000 shares		
Issued and outstanding — 8,515,546 shares (1971 — 8,503,896)	8,515,546	8,503,896
Capital in excess of par value	30,048,305	29,724,165
Retained earnings, per accompanying statement	72,243,803	65,625,200
	110,807,654	103,853,261
Contingent Liabilities (Note 5)		
	$146,896,857	$128,153,437

Approved on behalf of the Board

A. E. Feldmeyer Director

J. W. Pugh Director

Notes to Financial Statements

1. Accounting Policies

Exploration expenditures and intangible drilling expenditures applicable to both producing wells and dry holes are charged to income as incurred.

Depreciation is provided by the diminishing balance method at the following rates:

Production equipment (including casing)	30%
Gas plants and related facilities	10%

Depletion of producing properties is being provided for by the unit of production method based on estimated recoverable reserves of oil and gas. The accumulated depletion as at December 31, 1972 amounted to $4,019,147 (1971 - $3,447,201).

Foreign currency balances included in the consolidated financial statements have been expressed in Canadian dollars on the following basis:

Current assets and liabilities - at the rate of exchange December 31, 1972

Other assets and liabilities - at historical rates of exchange

Income and expenses - at monthly rates of exchange except provisions for depreciation and amortization which are translated on the same basis as the related assets.

Amortization of exploration and preproduction expenditures incurred to August 31, 1958 has been provided for by the unit of production method based on estimated recoverable reserves of oil and gas as at that date. As at December 31, 1971 the capitalized amount had been fully amortized.

2. Income Tax

The company follows the tax allocation basis of accounting for income taxes except for those timing differences that relate to drilling, exploration and lease acquisition costs. This conforms with general practice in the Canadian oil and gas industry. If the tax allocation basis had been followed for timing differences involving such costs, the deferred tax provision would have been decreased by $1,800,000 for 1972 (increased by $3,700,000 for 1971) and increased $16,300,000 on a cumulative basis to December 31, 1972.

3. Sulphur Inventory

Due to the deterioration of world sulphur markets and the continued build up of sulphur inventories, the company adopted the policy of valuing, at cost, only that portion of such inventory which is estimated to be saleable within one year. The resulting adjustment in 1971 has been reflected in the consolidated statement of income and retained earnings as "Sulphur inventory adjustment".

4. Deferred Receivable

In December 1971 the company purchased the right, title and interest to the production and related reserves of certain producing oil properties for $12,000,000 cash, which amount, together with an agreed rate of interest, is recoverable from the net proceeds of production from these properties. Based on current production, it is estimated that the company will recover its remaining cost plus interest in 1973, at which time title to the properties will revert to the original owner.

5. Commitments and Contingent Liabilities

The company has a lease on office premises which expires in 1990 (with an option to renew). Under the terms of the lease the company is required to pay an annual net rental of $577,000.

The company might be required under certain conditions to make payments under guarantee and other contractual arrangements principally in connection with:

(a) pipe line transportation, and

(b) the issuing to and depositing with the federal and provincial governments of non-interest bearing demand promissory notes to be held as work performance deposits in respect of exploratory rights.

The contingent liability under such arrangements does not exceed $6,000,000.

6. Stock Options

Under the company's stock option plan, options have been granted to certain officers and key employees of the company and its subsidiaries at prices of $31.20 and $28.60 which prices were not lower than 90% of the market value on date of grant. The options are exercisable from time to time on a cumulative basis and expire in 1979.

During 1972 options on 11,650 common shares were exercised for a cash consideration of $335,790. The excess of the issue price over the par value of shares issued has been credited to capital in excess of par value. As at December 31, 1972 options for 68,470 shares (of which 50,500 were granted to directors and officers) were outstanding and 67,500 shares were available for future grants.

7. Statutory Information

During 1972 there were twelve directors and eight officers (as defined by the Canada Corporations Act) of whom seven were also directors.

Officers' remuneration and directors' fees for 1972 amounted to $409,766 and $1,000 respectively (1971 - $386,701 and $1,000), none of which were paid by subsidiary companies.

Auditor's Report

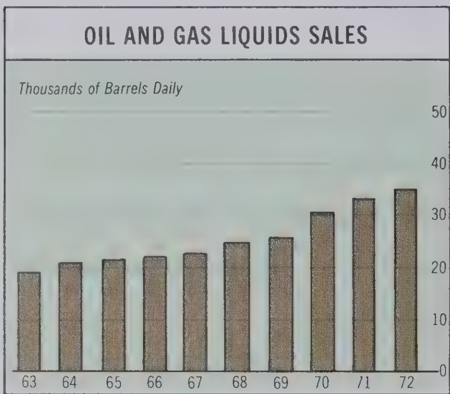
To the Shareholders of
CANADIAN SUPERIOR OIL LTD.

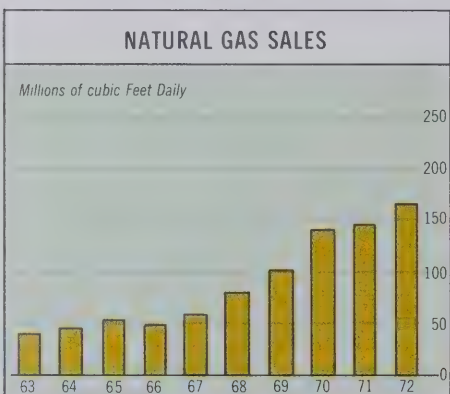
We have examined the consolidated balance sheet of Canadian Superior Oil Ltd. and its subsidiaries as at December 31, 1972 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

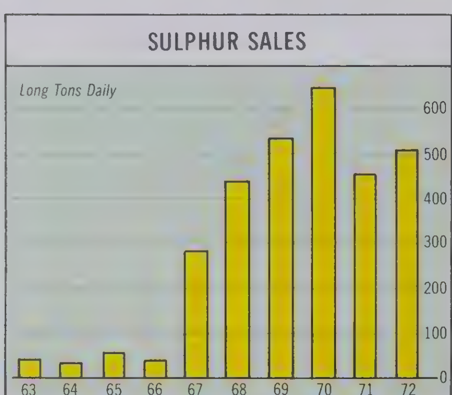
In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

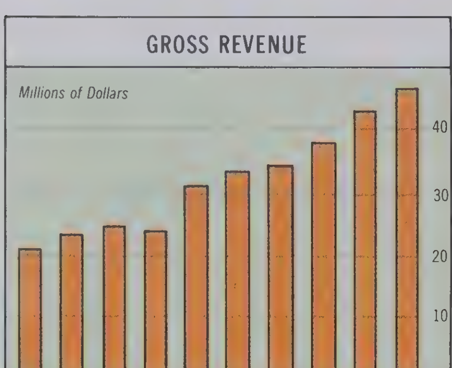
CALGARY, Alberta.
February 13, 1973

PRICE WATERHOUSE & CO.
Chartered Accountants





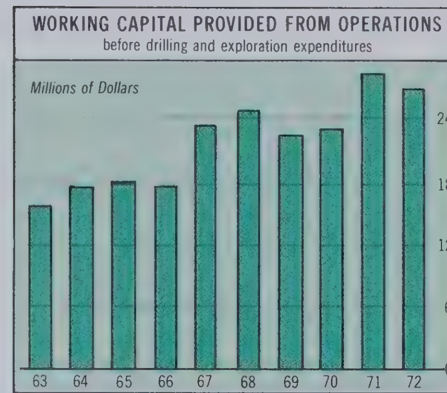


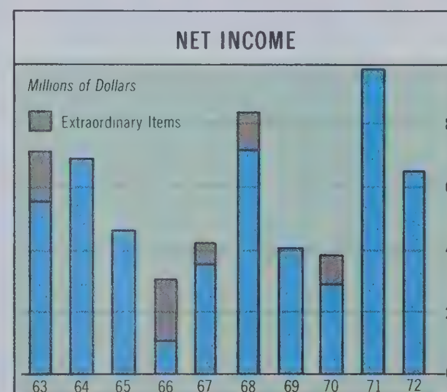


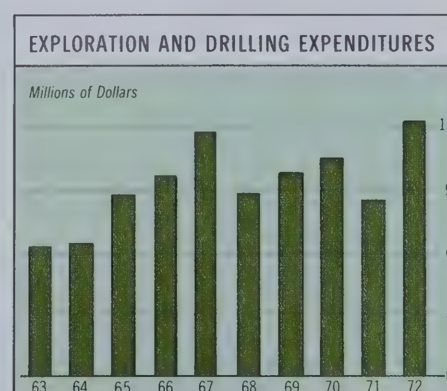
Ten Year Summary

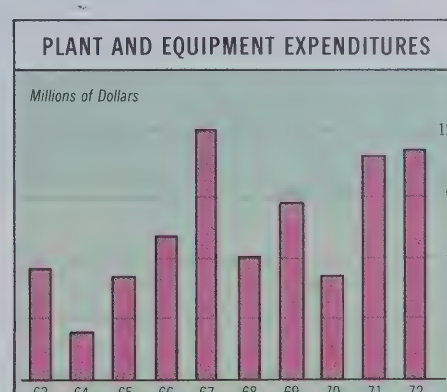
	1972	1971	1970	1969
Gross Revenue	$46,397,060	42,058,850	38,003,599	33,711,1[illegible]
Working Capital provided from operations — *before drilling and exploration expenditures*	$26,994,906	28,244,783	22,876,939	22,577,0[illegible]
Per Share	$3.17	3.32	2.69	2.66
Income before extraordinary items	$ 6,618,603	9,783,776	2,893,603	4,070,7[illegible]
Per Share	$ .78	1.15	.34	.48
Extraordinary items		–	807,462	—
Per Share	—	—	.10	—
Net Income	$ 6,618,603	9,783,776	3,701,065	4,070,[illegible]
Per Share	$ .78	1.15	.44	.48
Working Capital at Year End	$16,974,402	15,761,493	17,770,050	7,210,[illegible]
EXPENDITURES:				
Oil and Gas Properties	$ 7,444,853	2,447,460	6,137,602	4,526,[illegible]
Plant and Equipment	11,074,081	10,670,311	5,012,712	8,780,[illegible]
Intangible Drilling	7,677,867	3,360,999	5,568,344	4,668,[illegible]
Exploration — Geological and Geophysical	4,430,172	5,051,583	4,829,144	5,129,[illegible]
	$30,626,973	21,530,353	21,547,802	23,104,[illegible]
Expenditures incurred outside of Canada included above	$ 11,044,768	2,051,055	4,869,948	1,628,[illegible]
NET ACREAGE IN CANADA	10,048,035	10,285,779	9,898,492	9,198,[illegible]
NET WELLS COMPLETED:				
Oil	5.6	4.3	12.7	10.7
Gas	8.1	3.5	8.7	7.6
Dry	29.8	17.3	19.3	14.9
	43.5	25.1	40.7	33.2
AVERAGE NET DAILY SALES:				
Crude Oil (Bbls.)	23,036	21,585	20,384	18,61[illegible]
Condensate (Bbls.)	7,472	6,663	6,525	5,00[illegible]
Propane and Butane (Bbls.)	4,609	4,220	3,847	2,77[illegible]
Total Oil and Gas Liquids	35,117	32,468	30,756	26,38[illegible]
Residue Gas (Mcf.)	162,632	145,097	139,033	99,79[illegible]
Sulphur (Long Tons)	504	449	651	534

1968	1967	1966	1965	1964	1963
33,143,842	30,875,617	24,297,814	24,395,528	23,096,911	20,841,241
24,688,894	23,259,070	17,778,607	18,297,187	17,623,639	15,521,751
2.90	2.74	2.09	2.15	2.07	1.83
7,384,811	3,726,254	1,088,245	4,715,474	6,891,254	5,506,734
.87	.44	.13	.55	.81	.65
1,117,918	619,500	2,000,000	—	—	1,705,483
.13	.07	.23	—	—	.20
8,502,729	4,345,754	3,088,245	4,715,474	6,891,254	7,212,217
1.00	.51	.36	.55	.81	.85
8,277,457	4,284,232	9,287,969	11,537,797	17,091,450	13,403,972
6,849,768	3,144,335	2,843,914	10,403,097	5,419,213	4,222,249
6,091,539	12,042,987	6,813,818	4,802,032	2,142,120	5,253,134
4,835,251	7,607,575	6,224,491	5,418,643	2,709,101	3,050,118
4,026,409	4,100,251	3,425,670	3,301,719	3,479,768	3,084,135
21,802,967	26,895,148	19,307,893	23,925,491	13,750,202	15,609,636
3,530,190	1,563,157	1,012,224	793,508	1,488,919	62,139
8,643,160	6,339,987	7,044,794	7,345,277	7,346,842	6,756,625
16.9	42.8	25.7	30.7	15.4	13.0
6.0	9.9	8.8	7.4	5.6	6.7
17.5	8.2	18.5	23.1	16.7	24.6
40.4	60.9	53.0	61.2	37.7	44.3
17,881	17,758	16,269	16,087	17,054	16,939
4,333	4,182	4,360	4,556	3,608	2,233
2,705	1,684	1,572	694	366	6
24,919	23,624	22,201	21,337	21,028	19,178
78,103	59,390	51,686	52,403	45,325	40,994
449	284	37	58	36	38

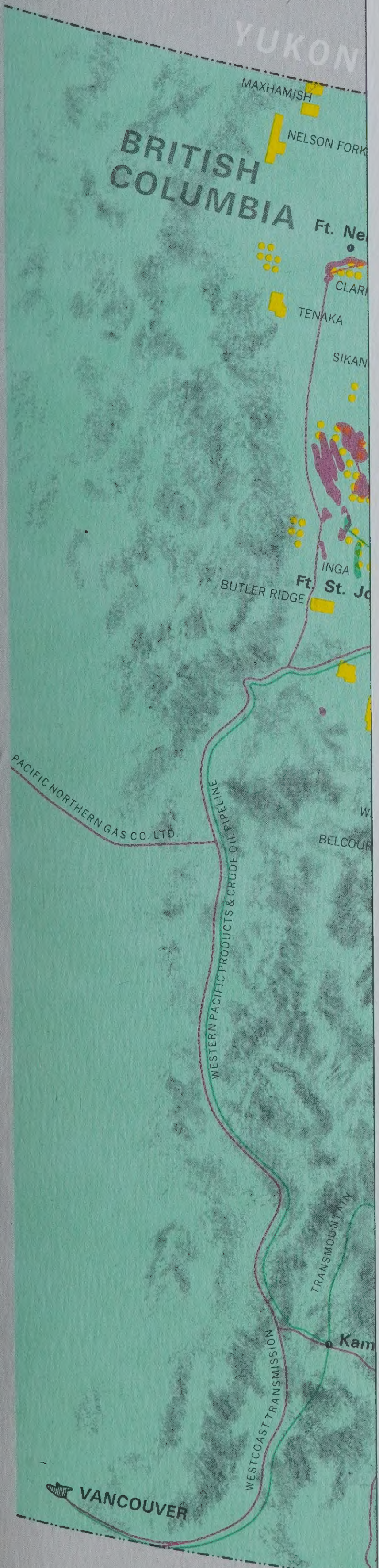








Harmattan East Field inlet gas line with absorption and fractionation facilities in background.



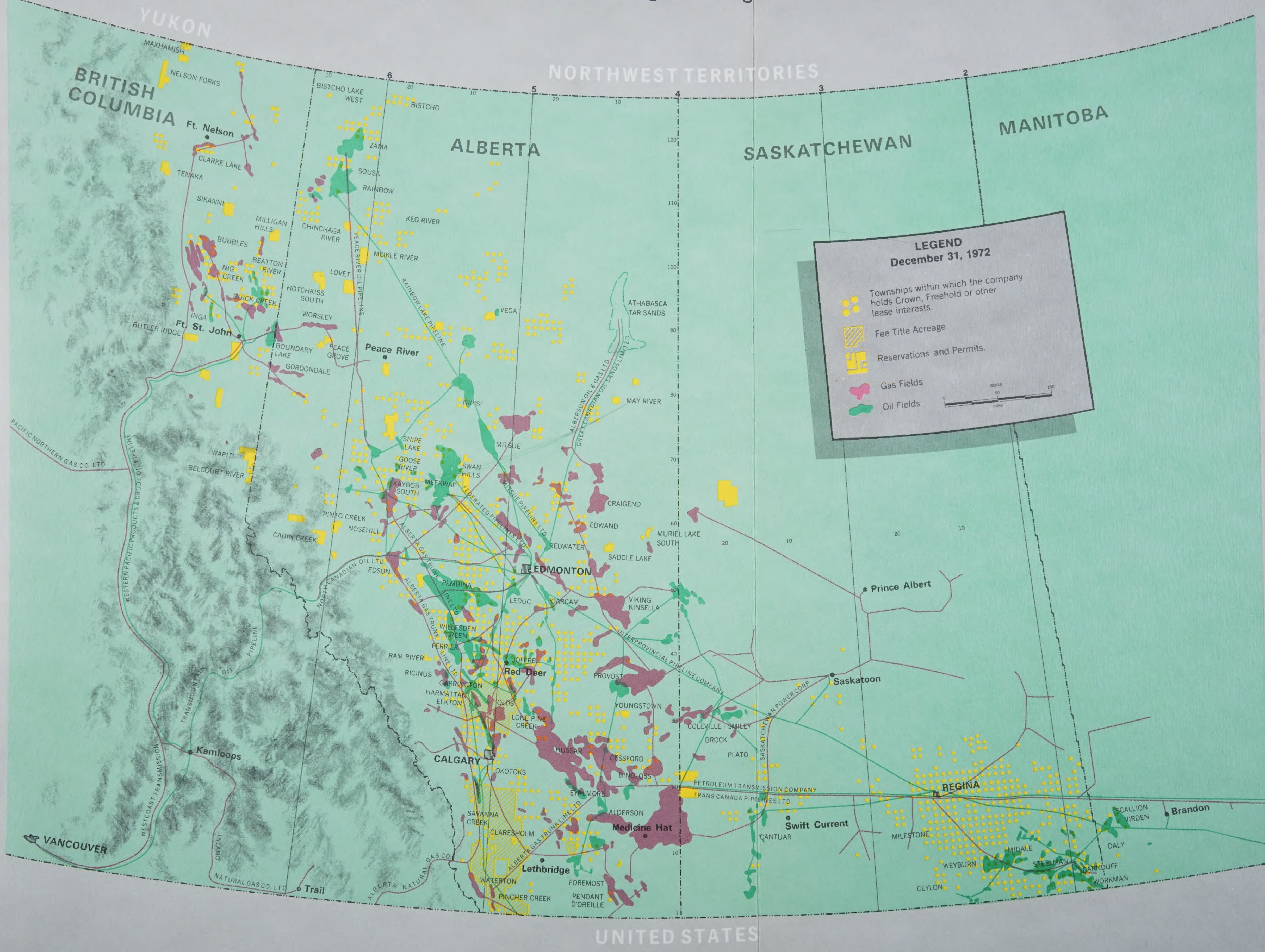
Map showing

acreage holdings

of **Canadian Superior Oil Ltd.**

1972

Canadian Superior Oil Ltd. acreage holdings in Western Provinces



SMITH GRANT MANN ALBE
Litho'd in Canada